

# **Retailer Strategies in a Recession**

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## **Abstract**

This paper examines the response of large U.S. retailers to the current recession. The discussion focuses primarily on non-grocery retailers, but also includes general merchandise stores like Wal-Mart and Target that carry grocery products. As one might predict, most large retailers have responded by lowering prices, cutting costs, and altering product lines to emphasize lower-priced products. Many retailers have also relied on sales and other price promotions to draw customers into their stores. From a communication perspective, the recession has prompted discount retailers to sharpen their focus on value. In contrast, some upscale retailers have changed their communication strategy in an effort to help customers understand why they should be willing to pay higher prices for upscale products. In addition, the recession has prompted some retailers to invest in marketing activities designed to strengthen their relationships with their best customers through targeted marketing communication and special promotional events.

## **1. Introduction**

The current recession has severely impacted many U.S. retailers. This paper examines the response of large U.S. retailers to the current recession. The discussion focuses primarily on non-grocery retailers, but also includes general merchandise stores like Wal-Mart and Target that carry grocery products. As one might predict, most large retailers have responded by lowering prices, cutting costs, and altering product lines to emphasize lower-priced products. Many retailers have also relied on sales and other price promotions to draw customers into their stores. From a communication perspective, the recession has prompted discount retailers to sharpen their focus on value. In contrast, some upscale retailers have changed their communication strategy in an effort to help customers understand why they should be willing to pay higher prices for upscale products. In addition, the recession has prompted some retailers to invest in marketing activities designed to strengthen their relationships with their best customers through targeted marketing communication and special promotional events.

The remainder of this paper is organized as follows. The next Section provides an overview of the impact of the recession on retailer performance. Section 3 addresses pricing and price promotion responses to the recession, while Section 4 focuses on cost reduction strategies. Section 5 reviews developments in product line management strategy, while Section 6 describes changes in the customer's in-store experience. Section 7 describes revisions to communication strategy, and the paper concludes with a discussion of key issues confronting retailers in the next few years.